

# OP Mortgage Bank

**Type of Engagement:** Annual Review

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## Introduction

OP Mortgage Bank (“OPMB” or the “Bank”) issued a EUR 750 million green covered bond (the “2021 Green Bond”) in March 2021 and a EUR 1 billion green covered bond (the “2022 Green Bond”) in April 2022 under the Euro Medium Term Covered Notes programme, the proceeds of which were allocated to mortgages that financed projects under the Green Buildings category. In 2024, OPMB engaged Sustainalytics to review the projects financed with proceeds from the 2021 Green Bond and 2022 Green Bond (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the OP Mortgage Bank Green Covered Bond Framework (the “Framework”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in November 2020.<sup>2</sup> This is Sustainalytics’ third annual review of the allocation and impact of bonds issued under the Framework, following previous reviews in 2022<sup>3</sup> and 2023.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and associated KPIs**

Use of Proceeds Category	Eligibility Criteria <sup>5</sup>	Key Performance Indicators
Green Buildings	<p>Green buildings that serve as collaterals for mortgages meeting the following criteria:</p> <ol style="list-style-type: none"> <li>i. Acquisition and ownership: Buildings built before 2021 energy performance must be among top 15% of similar stock (in terms of number of buildings), buildings built after 2021: primary energy demand 20% lower than NZEB (nearly zero-energy buildings) requirements.</li> </ol> <p>Primarily, existing energy performance certificates (EPCs) are used for</p>	<ul style="list-style-type: none"> <li>• Annual energy reduced/avoided (measured in MWh or GWh)</li> <li>• Annual GHG emissions reduced/avoided (measured in tonnes of CO<sub>2</sub> equivalent)</li> </ul>

<sup>1</sup> OP Mortgage Bank, “Green Covered Bond Framework”, (2020), at:

<https://www.op.fi/documents/20556/40338286/OPMB+Green+Covered+Bond+Framework+2020/d90986db-dff2-b75b-5fa7-f8af888fc6b4>

<sup>2</sup> OP Mortgage Bank, “Second-Party Opinion, OP Mortgage Bank Green Covered Bond Framework”, (2020), at:

<https://www.op.fi/documents/20556/40338286/Sustainalytics+SPO+OPMB+Green+Covered+Bond+Framework+2020/73a45b00-9dfc-df39-626d-62fbb5a453ca>

<sup>3</sup> OP Mortgage Bank, “Annual Review”, (2022), at:

<https://www.op.fi/documents/20556/40338286/OP+Mortgage+Bank+Annual+Review+2022+%28report+2021%29/48810ce4-dc59-c7e9-fb69-0230c1a2ea7c>

<sup>4</sup> OP Mortgage Bank, “Annual Review”, (2023), at:

<https://www.op.fi/documents/20556/40338286/Sustainalytics+OPMB+Green+Covered+Bond+Report+Annual+Review+2023/d3b84f27-7aac-2fbc-0864-78c91576a6e5>

<sup>5</sup> Criteria as of 2020. For further revisions, view the Technical Annex to the TEG final report on the EU taxonomy, at:

[https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg\\_en](https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en)

	<p>screening and in case EPC information cannot be linked to a collateral, the secondary approach will be statistical modeling. EPCs' energy label must be A or B (if issued under 2018 legislation) or equivalent (if issued under 2013 legislation). The threshold (for energy label) will be adjusted as necessary in order to fulfil EU Taxonomy Eligibility Criteria.</p> <ul style="list-style-type: none"> <li>ii. Construction of new buildings: primary energy demand<sup>6</sup> 20% lower than NZEB requirements. (For buildings built from 2021 onwards, for buildings built before YE2020 the top 15% criteria is applied).</li> <li>iii. Building renovation: complies with relevant local "major renovation" regulations (based on the Energy Performance of Buildings Directive, EPBD) or delivers 30% energy savings.</li> <li>iv. Individual measures and professional services: list of eligible measures and services with individual criteria as outlined in the Taxonomy.<sup>7</sup></li> </ul>	
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## Issuer's Responsibility

OPMB is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from OPMB's 2021 Green Bond and 2022 Green Bond. The work undertaken as part of this engagement included collection of documentation from OPMB and review of said documentation to assess conformance with the OP Mortgage Bank Green Covered Bond Framework.

Sustainalytics relied on the information and the facts presented by OPMB. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by OPMB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>8</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the OP Mortgage Bank Green Covered Bond Framework. OPMB has disclosed to Sustainalytics that the proceeds from the 2021 Green Bond and the 2022 Green Bond were fully allocated as of 25 March 2022 and 5 April 2022, respectively.

<sup>6</sup> OPMB has informed Sustainalytics that E-value is used to assess the energy efficiency of buildings in Finland and will be used as a proxy.

<sup>7</sup> The Framework refers to the EU Taxonomy. European Commission, Technical Expert Group on Sustainable Finance, "Technical Annex to the TEG Final Report on the EU taxonomy", (2020), at: [https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg\\_en](https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en)

<sup>8</sup> Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendix

### Appendix 1: Allocation and Reported Impact

OPMB issued green bonds in 2021 and 2022, and cumulatively raised EUR 1,750 million. As of December 2023, 100% of the proceeds from both bonds were allocated to finance or refinance the following projects.

Use of Proceeds Category	Net Proceeds Allocation (EUR million)	Number of mortgages <sup>9</sup>	Building area (m <sup>2</sup> )	Avoided energy use per annum (MWh)	Tonnes of CO <sub>2</sub> equivalent avoided p.a. (tCO <sub>2</sub> e)
Green Buildings <sup>10</sup>	1,750	21,550	2,000,000	59,000	8,800

<sup>9</sup> The number of mortgages denotes the assets OPMB tagged as green in its cover pool as of 31 December 2023.

<sup>10</sup>OPMB has communicated to Sustainalytics that the financed mortgages meet the criteria noted in the "Acquisition and ownership" and "Construction of new buildings" categories under the Framework.

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